

LSU MEDICAL SCHOOL – NEW ORLEANS
MEDICAL ALUMNI ASSOCIATION, INC.
AND
LSU HEALTH SCIENCES CENTER
INSTITUTE OF PROFESSIONAL EDUCATION
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JUL 05 2012

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WITH LSU AFFILIATION AGREEMENT – ALUMNI ASSOCIATION**

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL IN ACCORDANCE
WITH LSU AFFILIATION AGREEMENT – THE INSTITUTE**

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J.V. LECLERE KRENTEL - DECEASED

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
LSU Medical Alumni Association, Inc. and
LSU Health Sciences Center Institute of Professional Education
New Orleans, Louisiana

We have audited the accompanying consolidating statement of financial position of LSU School of Medicine – New Orleans Medical Alumni Association, Inc. (Alumni Association) and the LSU Health Science Center Institute of Professional Education (Institute) as of December 31, 2011 and the related consolidating statements of activities and cash flows for the year then ended. These consolidating financial statements are the responsibility of the Alumni Association's and the Institute's management. Our responsibility is to express an opinion on these consolidating financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidating financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidating financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the individual and consolidated financial positions of the Alumni Association and the Institute as of December 31, 2011 and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

May 10, 2012

Ericksen, Krentel & Laporte LLP

Certified Public Accountants

**LSU SCHOOL OF MEDICINE-NEW ORLEANS
MEDICAL ALUMNI ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011**

ASSETS

	<u>Alumni Association</u>	<u>Institute</u>	<u>Eliminations</u>	<u>Consolidated Totals</u>
<u>CURRENT ASSETS:</u>				
Cash and cash equivalents	\$ 563,253	\$ -	\$ -	\$ 563,253
Total current assets	563,253	-	-	563,253
<u>PROPERTY AND EQUIPMENT:</u>				
Furniture, fixtures and equipment	11,710	-	-	11,710
Total property and equipment	11,710	-	-	11,710
Less: accumulated depreciation	(6,500)	-	-	(6,500)
Net property and equipment	5,210	-	-	5,210
Total assets	\$ 568,463	\$ -	\$ -	\$ 568,463

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>				
Line of credit	316,057	-	-	316,057
Total current liabilities	316,057	-	-	316,057
<u>NET ASSETS:</u>				
Temporarily restricted	210,754	-	-	210,754
Unrestricted	41,652	-	-	41,652
Total net assets	252,406	-	-	252,406
Total liabilities and net assets	\$ 568,463	\$ -	\$ -	\$ 568,463

**LSU SCHOOL OF MEDICINE-NEW ORLEANS
MEDICAL ALUMNI ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Alumni Association</u>	<u>Institute</u>	<u>Eliminations</u>	<u>Consolidated Totals</u>
<u>UNRESTRICTED NET ASSETS:</u>				
<u>Unrestricted Revenues and Gains:</u>				
Contributions:				
Alumni and others	\$ 231,293	\$ -	\$ -	\$ 231,293
Subsidiary organization, the Institute	119,899		(119,899)	-
Special events	254,919	-	-	254,919
Program revenues	-	2,099		2,099
Investment income	622	260	-	882
	<u>606,733</u>	<u>2,359</u>	<u>(119,899)</u>	<u>489,193</u>
Total unrestricted revenues				
	<u>606,733</u>	<u>2,359</u>	<u>(119,899)</u>	<u>489,193</u>
<u>Net Assets Released From Restrictions:</u>				
Restrictions satisfied by payments	<u>360,720</u>	<u>-</u>	<u>-</u>	<u>360,720</u>
<u>Expenses:</u>				
Program services:				
Special events	260,173	-	-	260,173
Contributions to Alumni Association	-	119,899	(119,899)	-
Other program services	206,780	7,709	-	214,489
Support services:				
Depreciation and amortization expense	1,450	780	-	2,230
General and administrative	43,969	20,440	-	64,409
	<u>512,372</u>	<u>148,828</u>	<u>(119,899)</u>	<u>541,301</u>
Total expenses				
	<u>512,372</u>	<u>148,828</u>	<u>(119,899)</u>	<u>541,301</u>
Increase (decrease) in unrestricted net assets	455,081	(146,469)	-	308,612
<u>TEMPORARILY RESTRICTED NET ASSETS:</u>				
Net assets released from restrictions	(360,720)	-	-	(360,720)
Contributions	<u>333,790</u>	<u>-</u>	<u>-</u>	<u>333,790</u>
Decrease in temporarily restricted net assets	(26,930)	-	-	(26,930)
Increase (decrease) in net assets	428,151	(146,469)	-	281,682
Net assets (deficit), beginning of year	<u>(175,745)</u>	<u>146,469</u>	<u>-</u>	<u>(29,276)</u>
Net assets, end of year	<u>\$ 252,406</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 252,406</u>

See accompanying NOTES TO FINANCIAL STATEMENTS

**LSU SCHOOL OF MEDICINE-NEW ORLEANS
MEDICAL ALUMNI ASSOCIATION, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Alumni Association</u>	<u>Institute</u>	<u>Eliminations</u>	<u>Consolidated Totals</u>
<u>CASH FLOWS FROM (USED IN)</u>				
<u>OPERATING ACTIVITIES:</u>				
Increase (decrease) in net assets	\$ 428,151	\$ (146,469)	\$ -	\$ 281,682
Adjustments to reconcile change in net assets to net cash from (used in) operating activities:				
Donation of asset	(1,559)	1,559	-	-
Depreciation	1,450	780	-	2,230
(Increase) decrease in:				
Accounts receivable	-	3,000	-	3,000
Receipt of donor specified contributions on behalf of Foundation	129,970	-	-	129,970
Transfer of contributions to Foundation	(129,970)	-	-	(129,970)
Increase (decrease) in:				
Accounts payable and accrued expenses	(9,263)	-	-	(9,263)
Net cash from (used in) operating activities	<u>418,779</u>	<u>(141,130)</u>	<u>-</u>	<u>277,649</u>
<u>CASH FLOWS FROM (USED IN)</u>				
<u>FINANCING ACTIVITIES:</u>				
Principal payments on line of credit	<u>(300,000)</u>	<u>-</u>	<u>-</u>	<u>(300,000)</u>
Net cash (used in) financing activities	<u>(300,000)</u>	<u>-</u>	<u>-</u>	<u>(300,000)</u>
Net increase (decrease) in cash and cash equivalents	118,779	(141,130)	-	(22,351)
Cash and cash equivalents at beginning of year	<u>444,474</u>	<u>141,130</u>	<u>-</u>	<u>585,604</u>
Cash and cash equivalents at end of year	<u>\$ 563,253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 563,253</u>
<u>SUPPLEMENTAL CASH FLOW</u>				
<u>DISCLOSURE:</u>				
Interest paid	<u>\$ 25,136</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,136</u>

**LSU SCHOOL OF MEDICINE – NEW ORLEANS
MEDICAL ALUMNI ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2011**

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

LSU School of Medicine – New Orleans Medical Alumni Association, Inc. (the Alumni Association) alone or through its wholly owned subsidiary, LSU Health Sciences Center Institute of Professional Education (the Institute) supports and promotes the research, educational and service work of the LSU School of Medicine – New Orleans (the School) and the LSU Health Sciences Center (the Center).

The Alumni Association began operations on December 3, 2003. It also acts as a fundraising arm, in an agency relationship, for the LSU Health Sciences Center. Alumni and corporate sponsor directed contributions collected for endowments are remitted to the LSU Health Sciences Center Foundation (the Foundation) to fund professorships, chairs, scholarships, awards, etc. Alumni and corporate sponsor directed contributions collected for dues, reunion expenses, certain professional education activities, and construction are maintained by the Alumni Association.

Prior to discontinuing operations, the Institute facilitated the planning, development, presentation, administration and evaluation of educational activities that maintained and/or enhanced the knowledge and skill of physicians and where appropriate other health care professionals. The Institute was a wholly owned subsidiary of the Foundation; however, effective April 1, 2004, the Institute's sole member became the Alumni Association.

Principles of Consolidation

The consolidating financial statements include the accounts of the Alumni Association and the Institute, its wholly owned subsidiary. All inter-organizational transactions that occurred during the year ended December 31, 2011 have been eliminated in the consolidating financial statements.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The financial statement presentation follows standards established for external financial reporting by not-for-profit organizations which requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions.

**LSU SCHOOL OF MEDICINE – NEW ORLEANS
MEDICAL ALUMNI ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011**

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (continued)

A description of the three net asset categories follows:

- **Unrestricted** – Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.
- **Temporarily Restricted** – Net assets whose use are limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of management pursuant to those stipulations.
- **Permanently Restricted** – Net assets whose use are limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of management.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Alumni Association and the Institute considers certificates of deposit and all short-term, highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost, less an allowance for accumulated depreciation. Additions, improvements, and betterments to property and equipment in excess of \$500 are capitalized.

Expenditures for maintenance, repairs, and improvements which do not materially extend the useful lives of the assets are charged to expense as incurred. When property and equipment are removed from service, the cost of the asset and the related accumulated depreciation are removed from the books, and any resulting gain or loss is credited to or charged against the current period's income.

Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. The estimated useful lives used in computing depreciation are as follows:

Furniture, fixtures and equipment	5 to 8 years
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The Alumni Association and the Institute's depreciation expense for the year ended December 31, 2011 was \$1,450 and \$780, respectively.

**LSU SCHOOL OF MEDICINE – NEW ORLEANS
MEDICAL ALUMNI ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011**

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Restricted contributions that are met in the reporting period in which the contribution is made is reported as unrestricted contribution revenue.

Agency Transactions

The Alumni Association acts as the fundraising agent for the Center. Accordingly, in accordance with requirements established by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) topic 958, donor directed contributions received on behalf of the Center and subsequently transferred to the Foundation are not reported as revenue and expenses in the accompanying consolidating financial statements.

Income Taxes

The Alumni Association and the Institute are nonprofit organizations exempt from federal and state income tax under Internal Revenue Code Section 501(c)(3).

The Alumni Association and the Institute's evaluation as of December 31, 2011 revealed no tax positions that would have a material impact on the financial statements. The 2008 through 2010 tax years remain subject to examination by the IRS. The Alumni Association and the Institute does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**LSU SCHOOL OF MEDICINE – NEW ORLEANS
MEDICAL ALUMNI ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011**

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Date of Management Review

Management has evaluated subsequent events through May 10, 2012, which is the date the financial statements were available to be issued.

(2) LINE OF CREDIT

Line of credit at December 31, 2011 consisted of the following:

\$1,200,000 line of credit with Campus Federal Credit Union, due July 1, 2012, bearing interest at 6.625% until June 15, 2009 thereafter at the 2 Year Treasury Index, plus 2% (5% at December 31, 2011), secured by a security agreement with the Alumni Association.

\$ 316,057

Amounts available under unused line of credit at December 31, 2011 were \$883,943.

Total interest expense on the line of credit for the year ended December 31, 2011 was \$25,136.

(3) RELATED PARTY TRANSACTIONS

As an agent for the Center, the Alumni Association collected and remitted the following to the Foundation during the year ended December 31, 2011:

Cash contributions	<u>\$ 129,970</u>
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(4) CONCENTRATION OF CREDIT RISK

The Alumni Association maintains its cash in a bank deposit account at a local financial institution. The balances at times may exceed federally insured limits. At December 31, 2011, the balance exceeded the insured limit by \$137,153.

(5) RESTRICTED NET ASSETS

Net assets were temporarily restricted for the various scholarships, alumni affairs, reunions, and the Center for Advanced Practice at December 31, 2011.

**LSU SCHOOL OF MEDICINE – NEW ORLEANS
MEDICAL ALUMNI ASSOCIATION, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011**

(6) DISCONTINUED OPERATIONS

In August 2010, the Institute's Board of Directors elected to discontinue the operations of the organization. As part of this action, all remaining funds and assets of the Institute totaling \$119,899 were transferred during 2011 to the Alumni Association with the funds being used to retire a portion of the line of credit used to fund the renovation of the Center for Advanced Practice.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL IN ACCORDANCE WITH LSU AFFILIATION AGREEMENT

To the Board of Directors of
LSU School of Medicine – New Orleans Medical Alumni Association, Inc.
New Orleans, Louisiana

Compliance

We have audited the LSU School of Medicine – New Orleans Medical Alumni Association, Inc.'s compliance with the Affiliation Agreement and its Addendum dated July 1, 2009 (LSU Affiliation Agreement) between this entity and the Board of Supervisors of LSU and Agricultural and Mechanical College. Compliance with the agreement is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the LSU Affiliation Agreement occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with the LSU Affiliation Agreement.

In our opinion, the LSU School of Medicine – New Orleans Medical Alumni Association, Inc. complied in all material respects, with the LSU Affiliation Agreement for the year ended December 31, 2011.

Internal Control Over Compliance

The management of LSU School of Medicine – New Orleans Medical Alumni Association, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of the LSU Affiliation Agreement. In planning and performing our audit, we considered LSU School of Medicine – New Orleans Medical Alumni Association, Inc.'s internal control over compliance with the LSU Affiliation Agreement in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LSU School of Medicine – New Orleans Medical Alumni Association, Inc.'s internal control over compliance with the LSU Affiliation Agreement.

ERICKSEN KRENTEL & LAPORTE LLP

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

To the Board of Directors of
LSU School of Medicine – New Orleans Medical Alumni Association, Inc.
May 10, 2012
Page 2

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect and correct noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such there is a reasonable possibility that material noncompliance with a type of compliance requirement of an agreement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, Board of Supervisors of LSU and Agricultural and Mechanical College and is not intended to be and should not be used by anyone other than these specified parties.

May 10, 2012

Erickson, Krentel & Laporte LLP

Certified Public Accountants

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL IN ACCORDANCE WITH LSU AFFILIATION AGREEMENT

To the Board of Directors of
LSU Health Sciences Center Institute of Professional Education
New Orleans, Louisiana

Compliance

We have audited the LSU Health Sciences Center Institute of Professional Education's compliance with the Affiliation Agreement and its Addendum dated July 1, 2009 (LSU Affiliation Agreement) between this entity and the Board of Supervisors of LSU and Agricultural and Mechanical College. Compliance with the agreement is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the LSU Affiliation Agreement occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with the LSU Affiliation Agreement.

In our opinion, the LSU Health Sciences Center Institute of Professional Education complied in all material respects, with the LSU Affiliation Agreement for the year ended December 31, 2011.

Internal Control Over Compliance

The management of LSU Health Sciences Center Institute of Professional Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of the LSU Affiliation Agreement. In planning and performing our audit, we considered LSU Health Sciences Center Institute of Professional Education's internal control over compliance with the LSU Affiliation Agreement in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LSU Health Sciences Center Institute of Professional Education's internal control over compliance with the LSU Affiliation Agreement.

ERICKSEN KRENTEL & LAPORTE L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

To the Board of Directors of
LSU Health Sciences Center Institute of Professional Education
May 10, 2012
Page 2

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Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, Board of Supervisors of LSU and Agricultural and Mechanical College and is not intended to be and should not be used by anyone other than these specified parties.

May 10, 2012

Erickson, Krentel & LaPorte LLP

Certified Public Accountants